



Federal Communications Commission
Washington, D.C. 20554

May 13, 2011

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DA 11-872

Mr. Scott Barash
Acting CEO
Universal Service Administrative Company
2000 L Street, NW
Washington, DC 20036

Dear Mr. Barash,

With this letter, the Office of Managing Director (OMD) instructs the Universal Service Administrative Company (USAC) to develop a proposal for disbursing Universal Service Fund Lifeline support to eligible telecommunications carriers (ETCs) based upon actual claims for reimbursement, instead of ETCs' projected claims for support. Payment based on actual claims could replace the current administrative process, under which Lifeline support is paid each month based on a projection calculated by USAC that reflects the ETC's disbursements for the past 13 months plus a projected growth factor and a "true-up" once USAC receives an ETC's actual support claim on the FCC Lifeline and Link Up Worksheet (FCC Form 497).¹

Specifically, in order to promote greater accuracy in Lifeline payment processing, OMD directs USAC to work with the Federal Communications Commission in developing an administrative process for disbursing Lifeline support to ETCs based on verified claims for reimbursement. For this purpose, please provide a draft of USAC's proposed process, including proposals for transition and outreach to affected program participants, to the Office of Managing Director within the next ninety (90) days for review. Please also include an estimate of the administrative costs associated with USAC's proposed process and an estimate of any long term savings resulting from disbursement of Lifeline support based upon actual reimbursement claims. To facilitate a smooth transition to a payment process based on actual disbursements, the Wireline Competition Bureau (WCB) will seek public comment on USAC's proposed process. After reviewing comments, OMD and WCB will determine what further steps are needed to adopt a new process.

We look forward to working with USAC in developing a new payment process. Thank you for your attention to this matter. If you have any questions or wish to discuss these issues further, please do not hesitate to contact me or Thomas Buckley (Thomas.Buckley@fcc.gov).

Sincerely,

Dana R. Shaffer
Deputy Managing Director

Cc: Steven VanRoekel
Sharon Gillett

¹ See USAC, Step 7: Payment Process and Status, <http://usac.org/li/telecom/step07/default.aspx> (last visited Feb. 15, 2011); USAC, Low-Income Disbursements (July 2010), available at http://usac.org/_res/documents/hc/pdf/training-2010/Low-Income-Disbursements.pdf.